

# EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

## ANNUAL BUDGET REPORT & ANNUAL POLICY STATEMENT

	2017 BUDGET	2016 ACTUAL	2015 ACTUAL	2014 ACTUAL	2013 ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$794,760.00	\$792,241.94	\$803,272.76	\$813,507.67	\$813,822.98
SPECIAL ASSESSMENT	0.00	0.00	0.00	0.00	0.00
INTEREST INCOME	8,000.00	12,800.11	9,331.48	4,892.66	2,506.46
OTHER INCOME	0.00	2,329.57	1,492.25	2,152.96	2,002.24
<b>TOTAL REVENUE</b>	<b>\$802,760.00</b>	<b>\$807,371.62</b>	<b>\$814,096.49</b>	<b>\$820,553.29</b>	<b>\$818,331.68</b>
-- EXPENDITURES --					
CLEANING	\$12,000.00	\$10,670.00	\$8,310.00	\$11,799.25	\$13,286.00
ELECTRIC	19,000.00	17,354.46	17,972.30	18,549.91	18,141.55
LANDSCAPING	67,000.00	65,538.00	63,943.00	61,924.00	62,540.00
LANDSCAPING SUPPLY/EXTRAS	40,000.00	32,891.47	69,281.39	29,826.95	20,371.29
MANAGEMENT	31,308.00	30,696.00	30,096.00	29,364.00	28,788.00
PAINTING	2,000.00	348.00	1,200.00	2,791.00	0.00
POOL MAINT & SUPPLIES	15,000.00	14,788.06	18,599.48	11,968.17	12,959.53
POOL HEATING (GAS)	8,500.00	7,355.37	7,767.87	5,635.35	7,613.15
REPAIRS & MAINT	60,000.00	88,579.98	48,351.62	27,701.22	22,666.69
RUBBISH REMOVAL	50,000.00	47,696.23	47,176.02	46,267.61	44,529.27
PATROL/ALARM SERVICES	2,500.00	0.00	0.00	1,807.00	0.00
SUPPLIES	6,000.00	3,720.38	3,746.54	3,494.54	3,222.25
WATER & SEWER	30,000.00	26,496.09	19,764.59	27,884.73	19,539.06
INSURANCE	102,000.00	89,876.11	123,809.39	98,855.12	95,804.90
PEST CONTROL	4,000.00	3,776.69	4,297.21	3,773.69	3,477.47
PROFESSIONAL FEES	4,000.00	3,155.00	3,086.00	20,507.39	4,792.90
TELEPHONE (ENTRY GATE)	1,000.00	648.23	416.84	408.22	414.49
TAXES	3,500.00	3,103.00	1,624.00	117.00	1,004.00
MISCELLANEOUS	2,000.00	1,866.60	702.69	1,177.31	634.51
<b>TOTAL OPERATING EXPENSES</b>	<b>\$459,808.00</b>	<b>\$448,559.67</b>	<b>\$470,144.94</b>	<b>\$403,852.46</b>	<b>\$359,785.06</b>
Plus: Amount Added to Reserve	342,952.00	358,811.95	343,951.55	416,700.83	458,546.62
<b>TOTAL FUNDS NEEDED</b>	<b>\$802,760.00</b>	<b>\$807,371.62</b>	<b>\$814,096.49</b>	<b>\$820,553.29</b>	<b>\$818,331.68</b>
<b>CHANGE IN RESERVE:</b>					
Total Funding	\$802,760.00	\$807,371.62	\$814,096.49	\$820,553.29	\$818,331.68
Less: Operating Expenses	(459,808.00)	(448,559.67)	(470,144.94)	(403,852.46)	(359,785.06)
Reserve Expenditures	(950,200.00)	(52,781.56)	(16,975.97)	(16,720.00)	(562,626.87)
<b>NET RESERVE Increase (Decrease)</b>	<b>(\$607,248.00)</b>	<b>\$306,030.39</b>	<b>\$326,975.58</b>	<b>\$399,980.83</b>	<b>(\$104,080.25)</b>

**Item #1. MONTHLY FEES:** In order to meet this budget, the monthly fees (assessments) will be:

(179 Units-13 Bldgs) **\$370.00** EFFECTIVE JANUARY 1, 2017  
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Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance

**Item #2. SPECIAL ASSESSMENT:** No Special Assessment is anticipated in 2017.

**Item #3. FUNDS AVAILABLE:**

12/31/16	Community West Bank	\$231,996.49		
	CDAR's Accounts	2,040,000.00		
	Operating Account	5,000.00	TOTAL	\$2,276,996.49
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**Item 4. MAJOR REPAIRS AND REPLACEMENTS:** The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	LIFE	EXPECTED		RECOMMENDED		BALANCE NEEDED	2017 ADDITIONS	PROJ. BAL. 12/31/17
		DATE DUE	EXPECTED COST	IN RESERVE 12/31/16				
Asphalt Overlay	30	2017	396,000	396,000	0	(382,800)	13,200	
Asphalt Seal Coat/Repair	3	2017	19,200	19,200	0	(12,800)	6,400	
Landscape Refurbish	5	2017	64,000	64,000	0	(51,200)	12,800	
Cabana Water Htr.	15	2017	2,900	2,900	0	(2,707)	193	
Card Readers-Gym/Pool	12	2017	2,600	2,600	0	(2,383)	217	
Dryrot Repairs	4	2017	340,000	340,000	0	(255,000)	85,000	
Gate Operator 2nd (Roll)	10	2017	3,100	3,100	0	(2,790)	310	
Gate Operator-1st (Roll)	10	2017	3,100	3,100	0	(2,790)	310	
Mailbox Pagodas	25	2017	18,000	18,000	0	(17,280)	720	
Paint Metal Fence & Rail	3	2017	5,000	5,000	0	(3,333)	1,667	
Paint Wood/Metal Trim	4	2017	56,000	56,000	0	(42,000)	14,000	
Spa Filter	12	2017	1,500	1,500	0	(1,375)	125	
Termite Fumigation (7606)	15	2017	6,700	6,700	0	(6,253)	447	
Termite Fumigation (7620)	15	2017	6,700	6,700	0	(6,253)	447	
Termite Fumigation (7630)	15	2017	6,700	6,700	0	(6,253)	447	
Termite Fumigation (7634)	15	2017	6,700	6,700	0	(6,253)	447	
Termite Fumigation (7638)	15	2017	6,700	6,700	0	(6,253)	447	
Intercom-Front Gate	15	2017	5,300	5,300	0	(4,947)	353	
Cabana Floor & Wall Tile	30	2018	13,000	12,567	433	433	13,000	
Cabana Bath Remodal	30	2018	6,000	5,800	200	200	6,000	
Lights-Street Fixtures	30	2018	28,000	27,067	933	933	28,000	
Pool & Spa Pumps	8	2018	6,000	5,250	750	750	6,000	
Roof - Metal Carport	30	2018	204,000	197,200	6,800	6,800	204,000	
Spa Retile	30	2018	6,800	6,573	227	227	6,800	
Stair Landing Reseal	5	2018	18,400	14,720	3,680	3,680	18,400	
Stair Rails (3.5')	30	2018	15,000	14,500	500	500	15,000	
Termite Fumigation (7632)	15	2018	6,700	6,253	447	447	6,700	
Paint - Wood Siding	6	2019	126,000	84,000	42,000	21,000	105,000	
Paint Carports	6	2019	75,000	50,000	25,000	12,500	62,500	
Paint Front Wood Fence	6	2019	5,100	3,400	1,700	850	4,250	
Spa Heater	8	2019	4,000	3,000	1,000	500	3,500	
Structural Plumbing	35	2019	660,000	622,286	37,714	18,857	641,143	
Termite Fumigation (7602)	15	2019	6,700	5,807	893	447	6,253	
Termite Fumigation (7610)	15	2019	6,700	5,807	893	447	6,253	
Tree Trimming	3	2019	18,000	6,000	12,000	6,000	12,000	
Split Rail Fence	30	2020	8,100	7,290	810	270	7,560	
Bridge Repair	20	2022	12,400	9,300	3,100	620	9,920	
Gates - Vehicle Roll	25	2022	7,200	5,760	1,440	288	6,048	
Sub-Totals			\$2,183,300	\$2,042,779	\$140,521	(\$736,923)	\$1,305,856	

Sub-Totals (Previous Pg):			2,183,300	2,042,779	140,521	(736,923)	1,305,856
Termite Fumigation (7624) 15 2023			6,700	4,020	2,680	447	4,467
Termite Fumigation (7636) 15 2023			6,700	4,020	2,680	447	4,467
Termite Fumigation (7640) 15 2023			6,700	4,020	2,680	447	4,467
Pool Refiberglass 15 2023			12,000	7,200	4,800	800	8,000
Stair Landing Resurface 20 2023			43,700	30,590	13,110	2,185	32,775
Pool Heater 10 2024			4,300	1,290	3,010	430	1,720
Front Gate Wiring 10 2025			3,200	640	2,560	320	960
Siding Replacement 20 2025			370,000	222,000	148,000	18,500	240,500
Termite Fumigation (7626) 15 2025			6,700	3,127	3,573	447	3,573
Termite Fumigation (7628) 15 2025			6,700	3,127	3,573	447	3,573
Exerc Rm Equip/Remodl 15 2026			8,000	3,200	4,800	533	3,733
Pool Filter 12 2027			2,000	333	1,667	167	500
Card Reader/Buzzer-Gate 12 2027			2,600	433	2,167	217	650
Front Wood Fence 20 2027			33,600	16,800	16,800	1,680	18,480
Cabana Sauna Remodal 20 2028			5,900	2,655	3,245	295	2,950
Pool Decking 20 2028			12,500	5,625	6,875	625	6,250
Pool Tile/Coping 20 2028			3,800	1,710	2,090	190	1,900
Gutters/Downspouts 25 2029			49,000	25,480	23,520	1,960	27,440
Roof Shingle 7626, 30 & 34 25 2031			90,000	39,600	50,400	3,600	43,200
Sauna Heater 20 2033			3,100	620	2,480	155	775
Roof Shingle 7624 & 28 25 2034			60,000	19,200	40,800	2,400	21,600
Roof Shingle 7636 & 38 25 2035			60,000	16,800	43,200	2,400	19,200
Roof Shingle 7602, 06 & 10 25 2036			90,000	21,600	68,400	3,600	25,200
Metal Pool Fence (6') 25 2037			9,900	1,980	7,920	396	2,376
Roof Shingle 7620, 32 & 40 25 2037			90,000	18,000	72,000	3,600	21,600
Foundation Waterproofing 30 2042			182,000	30,333	151,667	6,067	36,400
Trex Mid-Landings 30 2046			25,000	833	24,167	833	1,667
Reserve Surplus (Shortage)				(142,273)	142,273	95,785	(46,487)
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TOTALS			\$3,377,400	\$2,385,743	\$991,657	(\$587,952)	\$1,797,791

<b>Item #5:</b> Ratio of actual cash reserves on hand to estimated cash reserves currently required	94.4%	Projected Ratio at Year-End	97.5%
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<b>Item #6:</b> Reserve Shortage per unit:	(\$794.82)	(\$259.71)
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**Item #7:** Reserve Projections at year-end for next five years:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Estimated Required in Reserve	\$1,844,279	\$1,806,841	\$1,171,804	\$1,430,167	\$1,696,630
Based on Current Funding:					
Net Change In Reserves	(587,952)	39,052	(558,548)	334,852	342,952
Projected Reserve Balance	1,797,791	1,836,843	1,278,295	1,613,147	1,956,099
Projected Percentage Funded	97.5%	101.7%	109.1%	112.8%	115.3%
Based on Plan Being Implemented:					
Net Change In Reserves Per Plan	(587,952)	13,000	(634,000)	258,000	267,000
Projected Balance Per Plan	1,797,791	1,810,791	1,176,791	1,434,791	1,701,791
Projected Percentage Per Plan	97.5%	100.2%	100.4%	100.3%	100.3%

**Item #8:** Reserve Funding Plan: The Board of Directors has adopted a plan to fully fund the reserves with increases in assessments and/or special assessments as needed. In the event of a surplus, the Board will reduce assessments as needed to eliminate the surplus in an orderly fashion. Increases or decreases in assessments shall be effective annually on January 1st in an amount adequate to meet increased operating costs and to fund the reserves. A full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any member upon request.

**Item #8a:** The last reserve study was prepared by J.D. Brooks (Sep, 2016) as of January 1, 2017.

**Item #8b:** Estimated Annual Interest Rate Earned on Reserve Funds: 0.5%  
Estimated Annual Rate of Inflation: 2.0%

**NOTES:**

**IN 2012:**

1. Carport fascia at 7632 was replaced (Approx \$1,100).
2. Foundations at 7602, 7634, 7638, & 7640 were waterproofed (Approx \$123,500).
3. Roof replaced and dryrot repaired at 7632 (Approx \$36,000).
4. Eucalyptus trees treated for lerp psyllids & fertilized (Approx \$2,700).
5. Spa pump replaced (Approx \$3,400).
6. Electrical at spa updated & spa timers installed (Approx \$2,000).
7. Roofs replaced and dryrot repaired at 7620 & 7640 (Approx \$57,000).
8. Various trees trimmed (Approx \$3,200).
9. Balconies at 125, 252, & 352 had dryrot repaired (Approx \$16,300).
10. Metal handrail between 7624 & 7626 replaced (Approx \$2,000).
11. Exterior of all buildings and parking lot lights prepped & painted - part done in 2012 (Approx \$72,000 for 2012).
12. Materials for dry rot repair (Approx \$10,000).
13. Jute netting and plants installed at creekbed (Approx \$5,800).
14. Insulation installed where missing under buildings (Approx \$16,000).
15. Uncollectable assessments written off due to bankruptcies (Approx \$16,700).
16. Roofs replaced on pool house and column posts (Approx \$5,000).
17. Pool fence replaced (Approx \$8,700).
18. Dry rot repaired on 2/3 of complex--balance to be done in 2013 (Approx \$145,000 paid in 2012).
19. Raised concrete replaced or ground down (Approx \$9,500).
20. Pool circulating pump replaced (Approx \$1,800).
21. Bollard light fixtures repaired & set in concrete (Approx \$2,600).
22. Common sewer lines & manholes cleared (Approx \$2,200).
23. Pagoda lights in Phases I & II repaired or replaced (Approx \$5,600).

**IN 2013:**

1. A reserve study was done by JD Brooks (\$1,380).
2. Landscape renovated & drip irrigation installed at Bldg 7610 (Approx \$4,100).
3. Red Gum trees treated for infestation (Approx \$2,700).
4. The sauna heater was replaced (Approx \$2,900).
5. Irrigation around pool converted to drip (Approx \$1,500).
6. Sauna room was refinished (Approx \$1,200).
7. Landscaping was renovated around Bldg 7628 (Approx \$6,300).
8. New bike rack installed by Bldg 7628 (Approx \$1,700).
9. Maintenance performed on all cleanouts at all buildings (Approx \$2,400).
10. Front deck and staircase landing resurfaced at #351 (Approx \$1,200).
11. Asphalt was slurry sealed (Approx \$48,000).
12. Car wash concrete pad replaced (Approx \$5,800).
13. Spa circulating pump replaced (Approx \$1,900).
14. Large leaning eucalyptus tree removed & another trimmed (Approx \$4,100).

15. Dryrot repaired to prepare for painting throughout complex (Approx \$303,000).
16. Exterior painting started in 2012 completed in 2013 (Approx \$180,000).
17. The Board increased the reserve for asphalt overlay because the asphalt will have to be removed first.
18. Legal fees incurred in dispute with contractor (Approx \$1,400).
19. Dry rot repaired at 7620, 7624, 7640, 3 trash enclosures, & pool area. Repaired areas were painted (Approx \$16,500)

IN 2014:

1. Area around 7620 & 7630 relandscaped & drip irrigation installed (Approx \$13,400).
2. Red curbs were repainted & Fire Lane restenciled (Approx \$2,500).
3. Minor siding repairs made & repainted at various buildings (Approx \$4,000).
4. French drain & new pumps installed at 7630 (Approx \$1,600).
5. Pool fence & gate reinforced (Approx \$1,500).
6. Annual cleaning of sewer lines performed from 27 cleanouts (Approx \$2,500).
7. Spa heater replaced (Approx \$4,200).
8. Trees trimmed at various locations throughout complex (Approx \$4,700).
9. Metal handrails installed at 7634 #124 (Approx \$1,400).
10. Legal fees incurred in dispute with contractor (Approx \$19,400).
11. All unit numbers were replaced (Approx \$3,800).
12. Area around 7632 was relandscaped & converted to drip (Approx \$7,700).

IN 2015:

	<u>Approx Amount</u>
1. Legal fees incurred to update governing documents	\$2,000
2. Main sewer lines to all bldgs cleaned & relief valves installed	\$3,500
3. All manholes cleaned	\$3,000
4. Pool filter replaced	\$2,000
5. All red gum eucalyptus trees treated	\$2,700
6. Sections of sidewalk near #209 replaced	\$1,700
7. Landscape renovated and converted to drip irrigation	\$63,000
8. Rebate received from Goleta Water for conversion to drought tolerant landscape	\$4,000
9. Uncollectable assessments writted off due to bankruptcy	\$8,300
10. Carport roof replaced due to damage from tree branch at spaces 122 & 123	\$2,900
11. Dryrot repaired at staircases to #350 & #370	\$11,000
12. Large eucalyptus tree trimmed at 7620	\$1,200
13. Damaged conduit to Jacuzzi replaced & damage to pool deck repaired	\$4,000
14. Sewer line backup cleared @7630 & line inspected.	\$1,600
15. Burned out lamps replaced in street lights during year	\$5,000
16. The Board voted to retain a small surplus in reserve in pending reserve study due in 2016.	

IN 2016:

	<u>Approx Amount</u>
1. Reserve study done by JD Brooks (Exact Amount)	\$1,480
2. Emergency measures to clear surface drains during storms & heavy rain	\$4,100
3. Side wall of #128 water proofed & French drain repaired	\$4,800
4. Four inch sewer pipe from 7630 to connection under public sidewalk	\$6,800
5. Eucalyptus trees fertilized with insecticide	\$2,700
6. Lawn areas renovated along Hollister	\$12,200
7. 35 trees planted throughout complex	\$4,000
8. Concrete sidewalk replaced near #270	\$4,500
9. Back balcony repaired and resurfaced at #304	\$2,900
10. Staircase mid landings replaced with Trex at 316/17, 314/15, 310/11, 308/09, 302/03, 320/21, 322/23, 324, 330/31, 333, 334/35, 336/37, 338, 369, 358, 366/67, 364/65, 362/63, 360/61, 346/47, 348/49, 350/51, 352/53, 354/55/ 342/43, & 340/41	\$6,200
11. Dryrot repaired & front landing resurfaced at 343/344 & 320/321	\$11,000
12. Designated smoking area created at 7628 & 7638	\$2,200
13. Uncollectable assessment charged off from former owner	\$2,100
14. Burned out lamps in street lights replaced throughout complex	\$6,200
15. Trees trimmed at various locations throughout complex	\$13,800
16. Annual cleaning of sewer cleanouts	\$2,900
17. Manholes cleaned	\$3,000

18. Owner reimbursed for slab leak repair & patching concrete	\$4,300
19. Gate entrance system installed - extra clickers & access cards purchased	\$16,200
20. Designated smoking area created by 7606 & 7610	\$2,100
21. 6" main sewer line near 7606 hydrojetted	\$2,000
22. Side wall of #101 waterproofed & French drain repaired	\$4,800
23. Numerous split railings & posts replaced throughout complex	\$3,000
24. Leaking supply line under pool deck repaired	\$1,400
25. Owner reimbursed for cost of rerouting pipes to prevent future slab leaks	\$2,800
26. Several sections of elevated sidewalks replace at 7606, 7610, & 7632	\$11,900

**Item #9. INSURANCE:** California Civil Code Section 5300 requires an annual insurance disclosure of the

Association's insurance as follows:

**GENERAL LIABILITY INSURANCE:**

**Anniversary Date:** November 15th

**Company:** Dongbu Insurance Company

**Coverage:** \$1,000,000 Per Occurrence

**Deductible:** None

**Umbrella:** Fireman's Fund Insurance Company  
\$10,000,000 Per Occurrence

**Anniversary Date:** November 15th

**PROPERTY INSURANCE: Coverage:** \$53,318,052

**Anniversary Date:** November 15th

**Company:** Dongbu Insurance Company

**Deductible:** \$10,000

**EARTHQUAKE INSURANCE: Coverage:** \$33,233,838

**Anniversary Date:** November 15th

**Company:** Insurance Company of the West

**Deductible:** 5% of Total Insurable Value

**FIDELITY INSURANCE: Coverage:** \$2,500,000

**Anniversary Date:** November 15th

**Company:** Liberty Mutual Insurance Company

**Deductible:** \$5,000

**FLOOD INSURANCE:** The Association has none.

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate coverage.

## **REQUIRED DISCLOSURES:**

### **ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY FOR CURRENT BUDGET YEAR (Required by Civil Code Sections 5300 & 5570)**

Item #'s are found on the first few pages.

1) The regular assessment per ownership interest is as per **Item #1**. Note: If assessments vary by the size or type of ownership, the assessment applicable to the ownership interest may be found on the page of the attached summary as per **Item #1**.

2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the Board and/or members are as per **Item #2**. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found as per **Item #2**.

3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Subject to the information available as of the date of preparation hereof:

If the ratio as per **Item #5** is equal to or exceeds 100%, the answer is "Yes" for the years shown.

If the ratio is less than 100%, the answer is "No".

If the ratios as per **Item #7** are equal to or exceed 100% over the next 5 years, the answer is "Yes".

If the ratios are less than 100%, the answer is "No".

4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

An assessment averaging the "Reserve Shortage" (if any) per unit would be necessary as per **Item #6**.

5) The board has reasonably determined that all major components are included in the reserve study and are included in its calculation.

6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the California Civil Code, the estimated amount required in the reserve fund at the end of the current budget year is as per **Item #4**, based in whole or in part on the last reserve study or update prepared as per **Item #8a**. The projected reserve fund cash balance at the end of the current budget year is as per **Item #4**, resulting in the percentage of reserve funding being as per **Item #4**. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is explained as per **Item #4**.

7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the California Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is as per **Item #7** and the projected reserve fund cash balance in each, taking into account only assessments already approved and other known revenues, is as per **Item #7**, leaving the reserve at the percent funding as per **Item #7**. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years and the percent funding will be as per **Item #7**.

8) Loans outstanding, if any, due from the Association are detailed as per **Item #8c**.

9) Insurance carried by the Association is summarized as per **Item #9**.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of preparation. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was as per Item #8b, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was as per Item #8b.

For the purposes of preparing this Summary Section 5570 (b) of the Civil Code states:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 5530. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant Civil Code Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

**Note:** The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

## **ANNUAL POLICY STATEMENT**

### **1. PERSON DESIGNATED TO RECEIVE OFFICE COMMUNICATIONS TO ASSOCIATION:**

Association Manager  
c/o Bartlein & Company, Inc.  
3944 State Street, Suite 200  
Santa Barbara, CA 93105

**2. NOTICE REGARDING SECONDARY ADDRESSES:** Members have the right to submit to the Association a secondary address for purposes of delivering annual reports, annual policy notices and collection notices pursuant to Civil Code Section 4040(b).

**3. LOCATION FOR POSTING OF GENERAL NOTICES:** General notices will be mailed (or Emailed if authorized). If notices are to be posted, members will be notified as to the location prior to posting.

### **4. NOTICE OF MEMBER'S OPTION TO RECEIVE GENERAL NOTICES BY INDIVIDUAL DELIVERY:**

Pursuant to Civil Code Section 4045(b), a member has the right to request to receive general notices by individual delivery. The term "individual delivery" means delivery by one of the following methods: (a) First-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier. The document shall be addressed to the recipient at the address last shown on the books of the Association or (b) E-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery.

**5. MINUTES & NAMES AVAILABLE:** In accordance with Civil Code Section 4950(b), each year the Association is required to disclose that minutes for all Association or Directors' meetings, other than meetings in executive session, are available to all members. The cost, if any, of providing copies of the minutes is to be paid by the requester.



## **ANNUAL POLICY STATEMENT (Cont):**

### **6. STATEMENT OF ASSESSMENT COLLECTION POLICIES (Required by Civil Code Section 5730):**

#### **NOTICE: ASSESSMENTS AND FORECLOSURE**

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

#### **ASSESSMENTS AND FORECLOSURE**

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

## **ANNUAL POLICY STATEMENT** (Cont):

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws

### **PAYMENTS**

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

### **MEETINGS AND PAYMENT PLANS**

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)"

**7. FHA CERTIFICATION:** Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest

This common interest development **IS** a condominium project. The Association of this common interest development **IS NOT** certified by the Federal Housing Administration. It is not anticipated that the Association will seek FHA certification.

**8. ASSOCIATION DISCIPLINE POLICY:** The Association may take any and all disciplinary actions authorized by the Association's governing documents including, but not limited to, levying monetary penalties ("fines"). If a schedule of fines has been adopted it may be found at the end of this Policy Statement.

## **ANNUAL POLICY STATEMENT (Cont):**

**9. DELINQUENCY & LIEN POLICY:** Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 15 days after the due date. A late charge of 10% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

**10. VA CERTIFICATION:** Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development **IS** a condominium project. The association of this common interest development **IS NOT** certified by the federal Department of Veterans Affairs. It is not anticipated that the Association will seek VA certification.

**11. DISPUTE RESOLUTION PROCEDURES:** In accordance with Civil Code Section 5900 et seq., the Association has adopted the following internal dispute resolution process to be followed by the Association and owners:

**INTERNAL DISPUTE RESOLUTION PROCESS:** The Association has adopted the procedures as per Section 5915 of the Civil Code.

**ALTERNATIVE DISPUTE RESOLUTION ("ADR"):** Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of any member of the Association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

**12: MODIFICATIONS REQUIRE PRIOR APPROVAL:** Each year the Association is required by Section 4765 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require prior written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require prior written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

## **ANNUAL POLICY STATEMENT (Cont):**

**13. MAILING ADDRESS FOR OVERNIGHT PAYMENT OF ASSESSMENTS:** The mailing address for overnight payment of assessments is:

c/o Bartlein & Company, Inc.  
3944 State Street, Suite 200  
Santa Barbara, CA 93105

**14. MEMBERSHIP LIST:** Subject to the provisions of Civil Code Sections 5200-5240, a list of members is available to all members. The cost, if any, of providing copies of the members' list is to be paid by the requester.

**15. ANNUAL INFORMATION TO BE PROVIDED BY OWNERS:** Section 4041 (a) of the Civil Code says:

4041 (a) An owner of a separate interest shall, on an annual basis, provide written notice to the association of all of the following:

- 1) The address or addresses to which notices from the association are to be delivered.
  - 2) An alternate or secondary address to which notices from the association are to be delivered.
  - 3) The name and address of his or her legal representative, if any, including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence from the separate interest.
  - 4) Whether the separate interest is owner-occupied, is rented out, if the parcel is developed but vacant, or if the parcel is undeveloped land.
- (b) The association shall solicit these annual notices of each owner and, at least 30 days prior to making its own required disclosure under Section 5300, shall enter the data into its books and records.
- (c) If an owner fails to provide the notices set forth in paragraphs (1) and (2) of subdivision (a), the property address shall be deemed to be the address to which notices are to be delivered.

**16. SCHEDULE OF FINES:** The Association's schedule of fines can be found on page 6 of the Association's "Resident Guidelines" as follows:

### **FEE SCHEDULE FOR FINES & PENALTIES**

Normally, most residents are willing to cooperate and amend their behavior when it is pointed out to them that what they are doing is in violation of the Guidelines, CC&R's, Bylaws or Rules & Regulations of the Association. When it becomes necessary to fine or otherwise penalize offenders for repeated violations, the following schedule will apply for any violation of the following Association rules. This list is by no means exhaustive as any willful violation of the rules or guidelines is potentially subject to a fine:

- 1<sup>st</sup> violation, warning or fine up to \$50.00;
- 2<sup>nd</sup> violation, same offense: \$100.00;
- 3<sup>rd</sup> violation, same offense: \$100.00 and common facilities privileges may be revoked;
- For any exterior alteration without Board's pre-approval up to \$500.00;
- Continuing violation of same offense: fines up to \$50.00 per day may accrue until the violation is stopped or cured.

## **ANNUAL POLICY STATEMENT (Cont):**

### **16. SCHEDULE OF FINES (Cont):**

#### **General**

Any willful damage to the Common Area or activities that cause damage to Association property. Any activity that may jeopardize the safety and security of others.

#### **Facilities (Gated pool area, exercise room)**

Using the facilities during "closed" hours  
Using the facilities without appropriate Facilities Pass  
Number of guests exceeds allowable limit  
Unsupervised underage children  
Using glass  
Allowing pets (except for service pets)  
Unauthorized usage of facilities  
Smoking

#### **Parking, Storage, and Disposal**

Parking RV, boat, jet skis, mobile home, trailer, storage container or large commercial truck in the development for more than 24 consecutive hours.

Parking along the red curbs, red zones, no-parking areas, or any uncurbed areas unless designated otherwise by signs (other than for pick-ups and drop-offs).

Excessive or improper storage on patio, balcony or in parking and common areas.

Misuse or abuses of trash/recycling areas.

#### **Traffic**

Failure to follow traffic signs; speeding.

#### **Exterior Alteration**

Failure to get pre-approval from Board for any and all exterior alterations or causing exterior damage to unit, buildings, or common area, etc. Board retains the right to demand removal of unauthorized alterations at Unit Owner's expense.

**Pets:** Loose pets in the common areas. Failure to clean up after your pet. Damage, injury, or undue disturbance caused by the pet.